

In the Matter of )

No. D07-301

HARTFORD FIRE INSURANCE )  
 COMPANY, HARTFORD ACCIDENT )  
 AND INDEMNITY COMPANY, )  
 HARTFORD CASUALTY INSURANCE )  
 COMPANY, HARTFORD )  
 UNDERWRITERS INSURANCE )  
 COMPANY, HARTFORD INSURANCE )  
 COMPANY OF THE MIDWEST, )  
 TWIN CITY FIRE INSURANCE )  
 COMPANY, PROPERTY AND )  
 CASUALTY INSURANCE COMPANY )  
 OF HARTFORD, SENTINEL )  
 INSURANCE COMPANY, LTD., )

**CONSENT ORDER  
 IMPOSING A FINE**

Authorized Insurers. )  
 \_\_\_\_\_ )

**COMES NOW** the Insurance Commissioner of the State of Washington, pursuant to the authority provided in RCW 48.01.020, RCW 48.02.080, and RCW 48.05.185, and having reviewed the official records and files of the Office of the Insurance Commissioner, makes the following Findings of Fact and Conclusions of Law:

### **FINDINGS OF FACT:**

1. Hartford Fire Insurance Company, Hartford Accident and Indemnity Company, Hartford Casualty Insurance Company, Hartford Underwriters Insurance Company, Hartford Insurance Company of the Midwest, Twin City Fire Insurance Company, Property and Casualty Insurance Company of Hartford, and Sentinel Insurance Company, LTD. (collectively referred to herein as "Hartford"), are authorized to conduct the business of insurance in Washington State and, therefore, are subject to Title 48 RCW and Chapter 284 WAC.
2. The Office of the Insurance Commissioner ("OIC") conducted a market conduct examination of Hartford for the period covering January 1, 2003 through December 31, 2003.
3. The market conduct examination of Hartford was adopted by the Insurance Commissioner by Order Adopting Report of Market Conduct Examination, Order No. G05-18, entered April 8, 2005, as amended on March 21, 2006, which Order is final.

4. The market conduct examiners found checks issued by Hartford's claims department for the payment of approximately forty-three thousand (43,000) claims that did not contain the name of the insuring company. In addition, examiners found one (1) non-renewal notice that did not contain the complete name of the insurer and that twenty-one (21) claims files contained letters, facsimiles, or releases that did not contain the complete name or the correct name of the insuring company.

5. The market conduct examiners found that eighty-four (84) policies were written by two agents that were not appointed with the company that issued the policy.

6. The market conduct examiners found that six (6) files did not contain documentation that the appropriate pro-rated license fees and/or taxes had been included. Hartford refunded \$940.31 to the six insureds. Also, six (6) files did not contain a firm salvage bid. Hartford used the services of Pro-Quote to estimate the salvage bid. Based on the information in the file that the market conduct examiners reviewed, the quotes did not accurately reflect the value of the specific pieces of salvage.

Based upon the foregoing Findings of Fact, the Commissioner makes the following:

#### **CONCLUSIONS OF LAW:**

1. Hartford violated RCW 48.05.190(1) by issuing checks, a non-renewal notice, and by using letters, facsimiles, and/or releases that did not contain the complete name or the correct name of the insuring company,
2. Hartford violated RCW 48.17.160(1)-(2) and WAC 284-17-420 because policies were written by agents that were not appointed with the company that issued the policy.
3. Hartford violated WAC 284-30-390 through 3916 because files did not contain documentation that the appropriate pro-rated license fees and/or taxes had been included and because files did not contain a firm salvage bid.
4. RCW 48.05.185 authorizes the Insurance Commissioner to impose a fine in lieu of or in addition to the suspension or revocation of an insurer's Certificate of Authority.

#### **CONSENT TO ORDER:**

Hartford, acknowledging its duty to comply fully with the applicable laws of the State of Washington, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle the matter in consideration of the Company's payment of a fine, and upon the Company fully carrying

out their obligations under the Compliance Plan attached hereto as Exhibit A, and upon such terms and conditions as are set forth below.

1. Hartford consents to the entry of this Order, waives any and all hearing rights, and further administrative or judicial challenges to this Consent Order.

2. By agreement of the parties, the Insurance Commissioner will impose a fine of \$50,000 and suspend \$30,000.00 of that, on the condition that:

a. Within thirty days of the entry of this Order, Hartford pays \$20,000.00.

b. Hartford commits no further violations of the statutes and regulations that are the subject of this Order for a period of two (2) years from the date this Order is entered. The Insurance Commissioner will not impose the balance of this fine nor take action against Hartford's Certificate of Authority should Hartford commit isolated, de minimis violations of the statutes and regulations that are the subject of this Order during the suspense period and Hartford takes appropriate action to remedy the violations promptly.

c. Hartford understands and agrees that any future failure to comply with the statutes and regulations that are the subject of this Order constitutes grounds for further penalties, which may be imposed in direct response to further violation, in addition to the imposition of the suspended portion of this fine.

d. The suspended portion of this fine will be imposed at the sole discretion of the Insurance Commissioner according to the conditions as set forth above, without any right to hearing, appeal, or advance notice.

3. Hartford's failure to timely pay this fine and to adhere to the conditions shall constitute grounds for revocation of Hartford's Certificate of Authority, and shall result in the recovery of both the suspended and unsuspended amounts of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

Executed this 11 day of October, 2007.

HARTFORD FIRE INSURANCE COMPANY, HARTFORD  
ACCIDENT AND INDEMNITY COMPANY, HARTFORD  
CASUALTY INSURANCE COMPANY, HARTFORD  
UNDERWRITERS INSURANCE COMPANY, HARTFORD  
INSURANCE COMPANY OF THE MIDWEST, TWIN CITY  
FIRE INSURANCE COMPANY, PROPERTY AND  
CASUALTY INSURANCE COMPANY OF HARTFORD,  
AND SENTINEL INSURANCE COMPANY, LTD.

By: 

Printed Name: Richard G. Costello

Printed Corporate Title: Vice President & Corporate Secretary

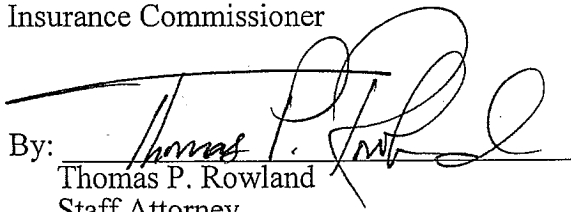
Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner orders as follows:

**ORDER:**

1. Hartford shall pay a fine in the amount of \$50,000.00, of which amount the sum of \$30,000.00 is suspended on the condition that the Company fully comply with the laws and regulations of the State of Washington which are the subject of this Order for the next two (2) years, and upon the further condition that the Company fully carry out its obligations under the Compliance Plan attached hereto as Exhibit A;
2. The payment liability and compliance obligations of Hartford under this Order are joint and several;
3. Hartford shall comply with and carry out the Compliance Plan set forth in Exhibit A hereto, which Compliance Plan is hereby incorporated into this Order by reference as though fully set forth herein; and
4. Hartford's failure to pay the fine within the time limit set forth above shall result in the revocation of the Company's Certificate of Authority and in the recovery of both the suspended and unsuspended amounts of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

Executed this 15<sup>TH</sup> day of OCTOBER, 2007.

**MIKE KREIDLER**  
Insurance Commissioner

By:   
Thomas P. Rowland  
Staff Attorney  
Legal Affairs Division

## EXHIBIT A - COMPLIANCE PLAN

### A. PURPOSE OF AND CONSIDERATION FOR THE COMPLIANCE PLAN.

Hartford Fire Insurance Company, Hartford Accident and Indemnity Company, Hartford Casualty Insurance Company, Hartford Underwriters Insurance Company, Hartford Insurance Company of the Midwest, Twin City Fire Insurance Company, Property and Casualty Insurance Company of Hartford, and Sentinel Insurance Company, LTD. (collectively referred to herein as the "Company") enters into this Compliance Plan ("Plan") with the Washington State Office of Insurance Commissioner ("OIC") to promote compliance by the Company with the requirements of the laws and regulations of the State of Washington. Concurrently with the execution of the Plan, the Company is also entering into a Consent Order with the OIC. The Plan is attached to the Consent Order as "Exhibit A" and is fully incorporated into the Consent Order. Moreover, the Company's obligations under this Plan are made a part of the Consent Order and constitute obligations under the Consent Order as though this Plan and the Company's obligations under it were fully set forth in the Consent Order.

### B. TERM OF THE COMPLIANCE PLAN.

The effective date of this Plan shall be the date of entry of the Consent Order, on which date this Plan shall become final and binding.

### C. THE COMPLIANCE PLAN.

#### Personal Lines Compliance and Claim Compliance.

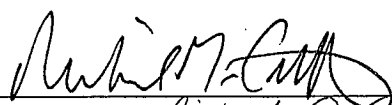
- a. **Information to OIC:** The Personal Lines Compliance and Claims Compliance departments or divisions of the Company will conduct two annual audits. Within thirty (30) days of the effective date of this Plan, the Company shall establish an annual audit plan and schedule with regard to the violations included in the Consent Order, and shall forward a written copy of the plan and schedule to Christine Tribe, OIC Legal Affairs Division, Insurance 5000 Building, P.O. Box 40255, Olympia, WA 98504-0255. Copies of each audit report on the two annual audits to be performed during the period of this Plan shall also be provided to OIC Legal Affairs Division within thirty days of the report being issued. Reports shall be issued no later than thirty (30) days following the reporting period.
- b. **Audit Obligations:** The Company shall provide the appropriate personnel in the Personal Lines and Claim Compliance departments or divisions with a copy or copies of the Consent Order and shall direct the personnel to include the areas of violation in the annual audits conducted pursuant to this Plan.

- c. **Audit Scope:** Each annual audit shall encompass at least fifty (50) files for each of the violations listed in the Consent Order (except for the violation concerning one non-renewal notice that failed to contain the complete name of the insurer). If a violation is common to more than one line of business, the audit must include fifty (50) files for each line of business found to be in violation. Each file audited must involve Washington insureds or beneficiaries.
- d. **Correction of Exceptions:** Any exception or deficiency identified by the annual audits conducted pursuant to this Plan shall be corrected. The Company agrees to advise OIC within sixty (60) days of the audit report of any corrective measures contemplated to address any such exceptions or deficiencies or any other areas requiring correction. The OIC shall then review these measure(s) and notify the Company of any comments associated thereto. Unless the OIC requests modifications to the proposed corrective measure(s), the Company shall have sixty (60) days from the end of the OIC's review period to implement the measure(s). However, should the Company need longer than sixty (60) days to correct any exception or deficiency, it may contact the OIC Legal Affairs Division and request an extension to the sixty (60) day requirement.

D. MISCELLANEOUS.

**Authority to Enter Plan:** The Company gives express assurance that under applicable laws, regulations and where applicable, their Articles and By-Laws, it has the authority to comply fully with the terms and conditions of this Plan, and that it will provide written notification to the other parties within ten (10) days of any material change to this authority or of any violation of this Plan.

HARTFORD FIRE INSURANCE COMPANY, HARTFORD  
ACCIDENT AND INDEMNITY COMPANY, HARTFORD  
CASUALTY INSURANCE COMPANY, HARTFORD  
UNDERWRITERS INSURANCE COMPANY, HARTFORD  
INSURANCE COMPANY OF THE MIDWEST, TWIN CITY  
FIRE INSURANCE COMPANY, PROPERTY AND  
CASUALTY INSURANCE COMPANY OF HARTFORD,  
AND SENTINEL INSURANCE COMPANY, LTD.

By:   
Printed Name: Richard G. Castella  
Printed Corporate Title: Vice President & Corporate Secretary